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Progressive Path Group Holdings Limited

進昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1581)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK\$249.2 million for the six months ended 30 September 2022, representing a decrease of approximately 4.9% as compared with the six months ended 30 September 2021.
- Gross profit was approximately HK\$4.7 million for the six months ended 30 September 2022 as compared to approximately HK\$15.7 million for the six months ended 30 September 2021.
- Gross profit margin decreased to approximately 1.9% for the six months ended 30 September 2022 from approximately 6.0% for the six months ended 30 September 2021.
- Profit attributable to owners of the Company was approximately HK\$1.0 million for the six months ended 30 September 2022 as compared to approximately HK\$5.6 million for the six months ended 30 September 2021.
- Earnings per share amounted to approximately HK0.44 cent for the six months ended 30 September 2022 as compared to earnings per share amounted to approximately HK2.49 cents (restated) for the six months ended 30 September 2021.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2022.

The board (the “**Board**”) of directors (the “**Directors**”) of Progressive Path Group Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2022 (the “**Period**”) together with the comparative figures for corresponding period ended 30 September 2021.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	<i>Notes</i>	Six months ended 30 September	
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	4	249,154	262,119
Cost of sales		(244,437)	(246,433)
Gross profit		4,717	15,686
Other income	5	13,282	4,339
Administrative expenses		(11,833)	(10,928)
Loss allowance on trade receivables		(643)	(300)
Loss allowance on contract assets		–	(539)
Finance costs	6	(4,615)	(3,079)
Profit before taxation	8	908	5,179
Income tax credit	7	120	410
Profit and total comprehensive income for the period		<u>1,028</u>	<u>5,589</u>
Profit and total comprehensive income for the period attributable to:			
– Owners of the Company		1,028	5,589
– Non-controlling interest		–	–
		<u>1,028</u>	<u>5,589</u>
			(restated)
EARNINGS PER SHARE	10		
– Basic and diluted		<u>0.44 HK cent</u>	<u>2.49 HK cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

		As at 30 September 2022 <i>HK\$'000</i> (unaudited)	As at 31 March 2022 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		248,725	214,779
Deposits paid for acquisition of property, plant and equipment		12,537	3,596
Pledged rental deposits		799	799
		<hr/> 262,061 <hr/>	<hr/> 219,174 <hr/>
Current assets			
Trade receivables	11	170,064	162,514
Contract assets		49,729	48,510
Deposits, prepayments and other receivables		28,470	20,126
Pledged bank deposits		690	3,477
Bank balances and cash		39,029	17,256
		<hr/> 287,982 <hr/>	<hr/> 251,883 <hr/>
Current liabilities			
Trade and other payables	12	88,793	76,794
Amount due to a director		6,300	–
Bank borrowings	13	66,235	78,837
Income tax payable		96	3
Lease liabilities		55,537	41,407
		<hr/> 216,961 <hr/>	<hr/> 197,041 <hr/>
Net current assets		<hr/> 71,021 <hr/>	<hr/> 54,842 <hr/>
Total assets less current liabilities		<hr/> 333,082 <hr/>	<hr/> 274,016 <hr/>

		As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
Non-current liabilities			
Lease liabilities		67,932	61,919
Deferred tax liabilities		7,774	7,987
		<u>75,706</u>	<u>69,906</u>
Net assets		<u>257,376</u>	<u>204,110</u>
Capital and reserves			
Share capital	14	20,750	10,375
Reserves		236,642	193,751
Equity attributable to owners of the Company		257,392	204,126
Non-controlling interest		(16)	(16)
Total equity		<u>257,376</u>	<u>204,110</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

1. GENERAL INFORMATION

The Company is a limited company incorporated in the Cayman Islands under the Companies Law (Chapter 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 8 December 2016. Its immediate holding company and ultimate holding company is Profit Gold Global Limited, a limited company incorporated in the British Virgin Islands (the “**BVI**”). The address of the registered office and the principal place of business of the Company is Unit 1108, 11/F., Tuen Mun Central Square, No. 22 Hoi Wing Road, Tuen Mun, New Territories, Hong Kong.

The Company is an investment holding company while the principal subsidiaries of the Company are engaged in the construction works and provision of construction machinery rental.

The condensed consolidated interim financial information are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company and its subsidiaries (collectively referred to as the “**Group**”).

2. BASIS OF PREPARATION

The condensed consolidated interim financial information of the Group for the six months ended 30 September 2022 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2022, except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 April 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle

The application of the above amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial information.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on construction works and construction machinery rental. An analysis of the Group's revenue for the period is as follows:

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
– Construction works	75,178	85,674
Revenue from provision of machinery rental within the scope of HKFRS16		
– Construction machinery rental	<u>173,976</u>	<u>176,445</u>
	<u>249,154</u>	<u>262,119</u>

Set out below is the disaggregation of the Group's revenue from contracts with customers by timing of recognition:

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Time of revenue recognition		
– Over time	<u>75,178</u>	<u>85,674</u>

Information reported to the directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

- Construction works; and
- Construction machinery rental.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the six months ended 30 September 2022 (unaudited)

	Construction works HK\$'000	Construction machinery rental HK\$'000	Total HK\$'000
Revenue			
External revenue	75,178	173,976	249,154
Inter-segment revenue	–	82,120	82,120
	<u>75,178</u>	<u>256,096</u>	
Segment revenue	<u>75,178</u>	<u>256,096</u>	331,274
Eliminations			<u>(82,120)</u>
Group's revenue			<u>249,154</u>
Segment profit (loss)	<u>512</u>	<u>(2,840)</u>	(2,328)
Unallocated income			13,282
Unallocated corporate expenses			(5,431)
Unallocated finance costs			<u>(4,615)</u>
Profit before taxation			<u>908</u>

For the six months ended 30 September 2021 (unaudited)

	Construction works HK\$'000	Construction machinery rental HK\$'000	Total HK\$'000
Revenue			
External revenue	85,674	176,445	262,119
Inter-segment revenue	–	81,691	81,691
	<u>85,674</u>	<u>258,136</u>	
Segment revenue	<u>85,674</u>	<u>258,136</u>	343,810
Eliminations			<u>(81,691)</u>
Group's revenue			<u>262,119</u>
Segment profit	<u>882</u>	<u>6,556</u>	7,438
Unallocated income			4,339
Unallocated corporate expenses			(3,519)
Unallocated finance costs			<u>(3,079)</u>
Profit before taxation			<u>5,179</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, other income and finance costs. This is the measure reported to the chief operating decision maker with respect to the resource allocation and performance assessment.

Inter-segment sales are conducted with terms mutually agreed by both contract parties.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Construction works	157,983	141,214
Construction machinery rental	<u>335,882</u>	<u>296,170</u>
Total segment assets	493,865	437,384
Corporate and other assets	<u>56,178</u>	<u>33,673</u>
Total assets	<u><u>550,043</u></u>	<u><u>471,057</u></u>

Segment liabilities

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Construction works	79,626	77,515
Construction machinery rental	<u>129,458</u>	<u>100,653</u>
Total segment liabilities	209,084	178,168
Corporate and other liabilities	<u>83,583</u>	<u>88,779</u>
Total liabilities	<u><u>292,667</u></u>	<u><u>266,947</u></u>

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segments, other than pledged deposits, deposits and prepayments for life insurances, certain other receivables and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segment; and
- All liabilities are allocated to operating segments, other than certain other payables, bank borrowings, income tax payable and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

In measuring the Group's segment assets and liabilities, property, plant and equipment and lease liabilities of approximately HK\$248,725,000 and HK\$123,469,000 (31 March 2022: HK\$214,779,000 and HK\$103,326,000) respectively were allocated to construction works and construction machinery rental segments. However, the relevant gain on disposal of property, plant and equipment and interest on lease liabilities of approximately HK\$3,000 (2021: HK\$2,606,000) and HK\$3,268,000 (2021: HK\$2,464,000) respectively were not included in the measurement of segment results for the six months ended 30 September 2022. Should the gain on disposal of property, plant and equipment and interest on lease liabilities be included in the measurement of segment results, the segment loss of construction works and construction machinery rental for the six months ended 30 September 2022 would be approximately HK\$493,000 (2021: segment profit of approximately HK\$1,034,000) and HK\$5,100,000 (2021: segment profit of approximately HK\$6,546,000) respectively.

5. OTHER INCOME

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Gain on disposal of property, plant and equipment	3	2,606
Government grants	9,437	669
Insurance claims	214	561
Auxiliary and other service income	3,625	490
Others	3	13
	13,282	4,339
	13,282	4,339

6. FINANCE COSTS

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
– bank borrowings	1,347	615
– lease liabilities	3,268	2,464
	4,615	3,079
	4,615	3,079

7. INCOME TAX CREDIT

	For the six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Current tax:		
– Hong Kong Profits Tax	(93)	(108)
Under-provision in prior year	–	(47)
Deferred taxation	213	565
Income tax credit	<u>120</u>	<u>410</u>

8. PROFIT BEFORE TAXATION

	For the six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Profit before taxation for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	<u>46,638</u>	<u>33,794</u>

9. DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following:

	For the six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share, representing profit for the period attributable to owners of the Company	1,028	5,589
	2022	2021
	'000	'000
	(unaudited)	(unaudited)
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	231,331	224,027

The weighted average number of ordinary shares for the purpose of earnings per share for the six months ended 30 September 2021 has been adjusted and restated for the effect of share consolidation and rights issue. Details as set out in note 14 of these condensed consolidated interim financial information.

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 September 2022 and 2021.

11. TRADE RECEIVABLES

The following is an analysis of trade receivables at the end of each reporting period:

	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
Trade receivables	193,787	185,594
Less: loss allowance on trade receivables	(23,723)	(23,080)
	170,064	162,514

The following is an ageing analysis of trade receivables net of loss allowance presented based on the invoice date, which approximates the respective revenue recognition date, at the end of the reporting period:

	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
Within 30 days	32,313	29,583
31 to 60 days	29,834	48,054
61 to 90 days	21,658	13,016
91 to 180 days	40,265	26,241
181 to 365 days	29,280	29,819
Over 365 days	16,714	15,801
	170,064	162,514

12. TRADE AND OTHER PAYABLES

	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
Trade payables	27,662	37,919
Other payables	43,137	19,276
Accruals	17,994	19,599
	<u>88,793</u>	<u>76,794</u>

The following is an ageing analysis of trade payables, presented based on the invoice date, at the end of the reporting period:

	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
Within 30 days	10,532	5,995
31 to 60 days	3,957	7,001
61 to 90 days	2,872	3,816
91 to 365 days	9,015	19,584
Over 365 days	1,286	1,523
	<u>27,662</u>	<u>37,919</u>

13. BANK BORROWINGS

	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
Secured	10,119	18,131
Unsecured	<u>56,116</u>	<u>60,706</u>
	<u><u>66,235</u></u>	<u><u>78,837</u></u>

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
Within one year	38,911	49,685
After one year but within two years	7,106	7,100
After two years but within five years	18,682	19,835
After five years	<u>1,536</u>	<u>2,217</u>
	<u><u>66,235</u></u>	<u><u>78,837</u></u>
Carrying amount of bank borrowings that is not repayable within one year from the end of the reporting period but contains a repayment on demand clause (shown under current liabilities)	27,324	29,152
Carrying amount repayable within one year	<u>38,911</u>	<u>49,685</u>
Amount shown under current liabilities	<u><u>66,235</u></u>	<u><u>78,837</u></u>

14. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
<i>Ordinary shares of HK\$0.05 each</i>		
<i>Authorised</i>		
At 31 March 2022 (audited)	10,000,000,000	100,000
Share consolidation (<i>note a</i>)	<u>(8,000,000,000)</u>	<u>–</u>
At 30 September 2022 (unaudited)	<u>2,000,000,000</u>	<u>100,000</u>
<i>Issued and fully paid</i>		
At 31 March 2022 (audited)	1,037,500,000	10,375
Share consolidation (<i>note a</i>)	(830,000,000)	–
Right issue of shares (<i>note b</i>)	<u>207,500,000</u>	<u>10,375</u>
At 30 September 2022 (unaudited)	<u>415,000,000</u>	<u>20,750</u>

Notes:

- a. On 12 August 2022, the authorised and issued shares of the Company were consolidated on the basis that every five issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company into one consolidated share of HK\$0.05 each (the “**Share Consolidation**”). Details of the Share Consolidation were set out in the Company’s announcements dated 24 May 2022, 7 June 2022, 9 June 2022 and circular dated 20 July 2022.
- b. On 23 September 2022, the Company issued 207,500,000 ordinary shares (the “**Rights Shares**”) upon completion of the rights issue on the basis of one Rights Share for one existing ordinary share held by shareholders of the Company at a subscription price of HK\$0.26 per Rights Share. The gross proceeds from the rights issue were approximately HK\$53,950,000 and the net proceeds were approximately HK\$52,238,000 after deducting the related expenses. Details of the Rights Issue were set out in the Company’s announcements dated 24 May 2022, 7 June 2022, 9 June 2022, 13 September 2022, 22 September 2022, circular dated 20 July 2022 and prospectus dated 24 August 2022.

BUSINESS AND FINANCIAL REVIEW

The Company and its subsidiaries (collectively, the “**Group**”) is principally engaged in (i) construction works and (ii) the provision of construction machinery rental services. Our construction works represent the construction projects undertaken in foundation and site formation works. Our construction machinery rental services represent the rental of construction machines and construction vehicles to our customers, and the provision of machine operators and transportation services as part of our one-stop construction machinery rental services.

The Group recorded revenue of approximately HK\$249.2 million for the Period, representing a decrease of 4.9% from approximately HK\$262.1 million for the six months ended 30 September 2021. Net profit was decreased from approximately HK\$5.6 million for the six months ended 30 September 2021 to approximately HK\$1.0 million for the Period, as the effect of a decrease in revenue from construction works, the depreciation cost of property, plant and equipment substantially increased and an increase in finance costs during the Period.

During the Period, the Group has completed the rights issue exercise and intends to apply part of the net proceeds for the acquisition of air compressors in order to enhance the machinery fleet for rental. The Group anticipate that the Group will commence its air compressors rental services by the fourth quarter of 2022. Together with our existing strong and various fleet of machinery, the Group are well-equipped and ready for the coming opportunities and capture more market shares.

The outbreak of COVID-19 since early 2020 has brought uncertainty to the Hong Kong economy, which the construction industry could affected to some extent. However, as the Hong Kong Special Administrative Region (the “**HKSAR**”) Government continues to deal with the waves of the COVID-19 pandemic, the anti-epidemic policies are clear and have been taken forward in an orderly manner, we are starting to see signs of an economic turnaround. Even with the implementation of the above measures to mitigate the impact of COVID-19 on the construction industry, the Group is still challenged by global inflation and continued rises in material, labor costs and interest rate.

Looking ahead, the HKSAR Government planned commitment in the public expenditure on infrastructure will result in more business opportunities being presented to the market and retaining employments in the construction industry. The Group will continue to strengthen the competitive edge over its competitors in the construction works and construction machinery rental business, while prudently evaluating each tender and project to control the Group’s overall cost at a reasonable level; which is expected to increase returns to shareholders.

Revenue

During the Period, the Group generated revenue from construction works and construction machinery rental. Set out below is the breakdown of revenue of the Group during the six months ended 30 September 2022 and 2021.

	Six months ended 30 September	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Construction works	75,178	85,674
Construction machinery rental	173,976	176,445
	<u>249,154</u>	<u>262,119</u>

Revenue from construction works

During the Period, the revenue derived from our construction works amounted to approximately HK\$75.2 million (six months ended 30 September 2021: HK\$85.7 million), accounting for approximately 30.2% (six months ended 30 September 2021: 32.7%) of our total revenue, and contributed by nine projects (six months ended 30 September 2021: six projects). Such decrease in revenue was mainly resulted from peak period of Anderson Road project was over and the scale of newly awarded projects were relatively small during the Period. Meanwhile, the Group had one new awarded project with contract sum amounting to approximately HK\$24.4 million during the Period. Subsequent to 30 September 2022, the Group had been awarded a foundation contract from existing project with contract sum of approximately HK\$29.9 million.

As at 30 September 2022, there were ten projects on hand with total outstanding contract sum amounting to approximately HK\$125.5 million. Eight projects are expected to be completed in the year ending 31 March 2023, two projects are expected to be completed in the year ending 31 March 2024 and none of them is expected to have any material interruption.

Below set out a list of projects during the Period:

Site Location/Project	Type of Works	Status
Anderson Road Quarry Site	Foundation and site formation works	Work in progress
West Kowloon Drainage Improvement – Inter-reservoirs Transfer Scheme	Foundation and site formation works	Work in progress
Ap Lei Chau Inland Lot No.136	Foundation and site formation works	Work in progress
Kai Tai Sports Park	Foundation and site formation works	Work in progress
Hong Kong International Airport – automatic people mover (APM) and baggage handling system (BHS)	Foundation and site formation works	Work in progress
Tung Tau – Transitional Housing Project	Foundation and site formation works	Work in progress
Kai Tak Development Area – NKIL No. 6591	Foundation and site formation works	Work in progress
Kai Tak Development Area – NKIL No. 6554	Builder’s work and general building works	Work in progress
Kai Tak Development Area – NKIL No. 6577	Builder’s work and general building works	Work in progress
Central Kowloon Route – Kai Tak West Section	Foundation and site formation works	Work in progress

Revenue from construction machinery rental

During the Period, the revenue derived from our construction machinery rental amounted to approximately HK\$174.0 million (six months ended 30 September 2021: HK\$176.4 million), accounting for approximately 69.8% (six months ended 30 September 2021: 67.3%) of our total revenue. The decrease in revenue derived from construction machinery rental of the Group was mainly due to the decrease in demand for the construction machinery on Three-runway system at Chek Lap Kok Airport and Tung Chung New Town Extension.

Gross Profit and Gross Profit Margin

The Group’s total gross profit decreased by approximately HK\$11.0 million, or approximately 69.9%, from approximately HK\$15.7 million for the six months ended 30 September 2021 to approximately HK\$4.7 million for the Period while our gross profit margin decreased from approximately 6.0% for the six months ended 30 September 2021 to approximately 1.9% for the Period.

The decrease in gross profit was mainly attributable to the decrease in revenue, depreciation cost of property, plant and equipment substantially increased and increase in salary costs of workers during the Period.

Other Income

The Group's other income increased from approximately HK\$4.3 million during the six months ended 30 September 2021 to approximately HK\$13.3 million during the Period. Such increase was mainly due to the recognition of non-recurring government grants of approximately HK\$9.4 million from 2022 Employment Support Scheme under the Anti-epidemic Fund launched by the HKSAR Government during the Period.

Administrative Expenses

The administrative expenses of the Group for the Period amounted to approximately HK\$11.8 million, representing an increase of approximately 8.3% as compared to approximately HK\$10.9 million for the six months ended 30 September 2021. Such increase is mainly due to increase in professional services fee during the Period.

Finance Costs

The finance costs of the Group for the Period amounted to approximately HK\$4.6 million, representing an increase of approximately 49.9% as compared to approximately HK\$3.1 million for the six months ended 30 September 2021. Such increase is mainly due to the increase in amount and interest rate of the interest-bearing liabilities during the Period.

Net Profit

Net profit decreased by approximately HK\$4.6 million to approximately HK\$1.0 million for the Period as compared to approximately HK\$5.6 million for the six months ended 30 September 2021. The decrease in net profit is mainly attributable to the decrease in both revenue and gross profit and increase in finance costs during the Period.

Liquidity, Financial Resources and Capital Structure

The Group has funded the liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings, cash inflows from operating activities and proceeds raised from the Rights Issue (as defined below).

As at 30 September 2022, the Group had bank balances of approximately HK\$39.0 million (31 March 2022: HK\$17.3 million). The interest-bearing liabilities of the Group as at 30 September 2022 was approximately HK\$189.7 million (31 March 2022: HK\$182.2 million). The gearing ratio is calculated based on the amount of total interest-bearing liabilities divided by total equity. The gearing ratio of the Group as at 30 September 2022 was approximately 73.7% (31 March 2022: 89.2%), representing a decrease of approximately 15.5%.

Share Consolidation

On 24 May 2022, the Company announced a proposed share consolidation on the basis that every five existing shares in the issued and unissued share capital of the Company be consolidated into one consolidated share (the “**Share Consolidation**”). On 12 August 2022, the Share Consolidation became effective and every five issued and unissued existing shares of HK\$0.01 each in the share capital of the Company was consolidated into one consolidated share of HK\$0.05 each. Details of the Share Consolidation were set out in the Company’s announcements dated 24 May 2022, 7 June 2022, 9 June 2022 and circular dated 20 July 2022.

Rights Issue

On 24 May 2022, the Company announced a proposed rights issue on the basis of one rights share (the “**Rights Share**”) for every one consolidated share in issue at a subscription price of HK\$0.26 per Rights Share (the “**Rights Issue**”) to raise approximately HK\$54.0 million by issuing 207,500,000 Rights Shares to the qualifying shareholders.

On 23 September 2022, the Company completed the Rights Issue and issued 207,500,000 Rights Shares with par value of HK\$0.05 each at a subscription price of HK\$0.26 per Rights Share determined with reference to, among others, the market price of the shares under the prevailing market conditions. The theoretical closing price was HK\$0.450 per share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.090 per share as quoted on the Stock Exchange on 24 May 2022, being the last trading day). The net proceeds from the Rights Issue (after deducting the estimated expenses) were approximately HK\$52.0 million, representing a net price of approximately HK\$0.25 per Rights Share, which were used as to (i) approximately HK\$37.3 million, for the acquisition of air compressors in order to enhance the machinery fleet for rental; and (ii) approximately HK\$14.7 million for general working capital of the Group.

Upon the completion of the Rights Issue in September 2022, the number of shares in issue became 415,000,000 of par value HK\$0.05 each thereafter. Details of the Rights Issue were set out in the Company's announcements dated 24 May 2022, 7 June 2022, 9 June 2022, 13 September 2022, 22 September 2022, circular dated 20 July 2022 and prospectus dated 24 August 2022.

As at 30 September 2022, the actual use of the net proceeds of the Rights Issue was as follows:

	Planned use of net proceeds as stated in the prospectus dated 24 August 2022 HK\$ million	Actual use of proceeds up to 30 September 2022 HK\$ million	Unutilised net proceeds up to 30 September 2022 HK\$ million	Expected timeline for unutilised net proceeds
Acquisition of air compressors	37.3	11.4	25.9	by 31 December 2022
General working capital	14.7	14.7	–	N/A
Total	52.0	26.1	25.9	

The unutilized amounts of the net proceeds will be applied in the manner consistent with that mentioned in the prospectus of the Company dated 24 August 2022. The unutilized net proceeds had been deposited into licensed bank in Hong Kong.

Interim Dividend

The Board has resolved not to declare any interim dividend for the Period.

Prospects

Since early 2020, the outbreak of COVID-19 has drastically affect the Hong Kong economy and imposed negative impacts to the construction industry. However, with the increasing number of people fully vaccinated, the anti-epidemic policies are clear and have been taken forward in an orderly manner, the economy of Hong Kong will gradually recovery. The Group foresees an improvement in the foundation industry and expects a steady increase in tender opportunities for the foundation construction works and construction machinery rental business. Meanwhile, the Group has enhanced and diversified our fleet of machinery to strengthen the market position in order to improve the production efficiencies and capture more opportunity in the future. However, fierce competition amongst the competitors, global inflation together with the increasing in material, labour costs and interest rate, has added uncertain factors to our operational performance.

In addition, as mentioned in the Chief Executive's 2022 Policy Address, the HKSAR Government's annual capital works expenditure will exceed \$100 billion in the next few years, together with the proposed development of the Kau Yi Chau Artificial Islands and transport infrastructure projects on the three major road projects and three strategic railway projects, the Group is cautiously optimistic about the long-term development of the construction market in Hong Kong. Based on the Group's competitive advantages, the Board has full confidence in the Group's future development.

Pledge of Assets

As at 30 September 2022, certain of the Group's bank borrowings and lease liabilities were secured by the property, plant and equipment with an aggregate net carrying value of approximately HK\$148.2 million (31 March 2022: HK\$120.9 million), deposits and prepayments for life insurances with an aggregate carrying value of approximately HK\$14.7 million (31 March 2022: HK\$11.9 million) and deposits with an aggregate carrying value of approximately HK\$1.5 million (31 March 2022: HK\$4.3 million).

Foreign Exchange Risk

The Group mainly operates in Hong Kong and most of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars ("HK\$"). The Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the Period.

Employees and Remuneration Policy

As at 30 September 2022, the Group employed 465 staff (30 September 2021: 455). Total staff costs including directors' emoluments for the Period, amounted to approximately HK\$98.4 million (six months ended 30 September 2021: HK\$95.2 million). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

During the Period, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

Capital Commitments

As at 30 September 2022, the Group had no material capital commitments (31 March 2022: nil).

Contingent Liabilities

As at 30 September 2022, two of the subsidiaries of the Group was involved in two ongoing personal injury claims (31 March 2022: one of the subsidiaries of the Group was involved in an ongoing employees' compensation claim; whereas another subsidiary of the Group was involved in an ongoing personal injury claim). The Directors considered that the possibility of any outflow in settling the legal claims was remote as these claims were well covered by insurance and subcontractors' indemnity. Accordingly, no provision for the contingent liabilities in respect of the litigations is necessary, after due consideration of each case.

Material Acquisitions and Disposals

During the Period, the Group did not have any material acquisitions and disposals.

Significant Investment

During the Period, the Group has no significant investment held.

Future Plans for Material Investments or Capital Assets

Save as disclosed in the section headed "Rights Issue" in this announcement, the Group did not have any plans for material investments and capital assets.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company strives to attain and maintain a high standard of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholders' value and safeguarding interests of shareholders and other stakeholders. Accordingly, the Board attributes a high priority to identifying and implementing appropriate corporate governance practices to ensure transparency, accountability and effective internal controls.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). During the Period, the Company has complied with the code provisions under the CG Code, except for the deviation from code provisions C.2.1 and C.1.6 of the CG Code as explained below. The Company will continue to enhance its corporate governance practices appropriate to the operation and growth of the business of the Group.

Code provision C.2.1

According to code provision C.2.1 of the CG Code, the role of the chairman and the chief executive officer of the Company should be separate and should not be performed by the same individual. Throughout the Period and up to the date of this announcement, the role of the chairman of the Company is performed by Mr. Wu Wing Hang but the office of the chief executive officer of the Company is vacated. The daily operation and management of the Company is monitored by the executive Directors as well as the senior management. The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company.

Code provision C.1.6

According to code provision C.1.6 of the CG code, independent non-executive Directors and other non-executive Directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Leung Ka Fai, an independent non-executive Director was unable to attend the extraordinary general meeting and annual general meeting of the Company held on 10 August 2022 and 1 September 2022 respectively due to other business arrangements.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. In response to a specific enquiry by the Company, all Directors have confirmed, that they have complied with the required standards as set out in the Model Code during the Period.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 15 November 2016. The principal terms of the Share Option Scheme is summarised in Appendix IV to the prospectus of the Company dated 28 November 2016. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 15 November 2016.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”), with its terms of reference established in compliance with the Listing Rules, comprises three independent non-executive Directors, namely Mr. Lee Man Tai (the chairman of the Audit Committee), Mr. Wong Yiu Kit Ernest and Mr. Leung Ka Fai.

The Audit Committee has reviewed the Group’s unaudited condensed consolidated interim financial information for the Period. The Audit Committee was satisfied that the unaudited condensed consolidated interim financial information were prepared in accordance with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company’s website at www.ppggh.com.hk. The interim report of the Company for the six months ended 30 September 2022 containing all information required by the Listing Rules will be dispatched to shareholders and published on above websites in due course.

APPRECIATION

The Board would like to express its sincere thanks to the management of the Group and all the staff for their hard work and commitment, as well as its shareholders, business partners and other professional parties for their continuous support.

By order of the Board
Progressive Path Group Holdings Limited
Wu Wing Hang
Chairman and Executive Director

Hong Kong, 28 November 2022

As at the date of this announcement, the executive directors are Mr. Wu Wing Hang and Mr. Chan Tak Ming; and the independent non-executive directors are Mr. Wong Yiu Kit Ernest, Mr. Lee Man Tai and Mr. Leung Ka Fai.